

# The Pensioner

In the Moment

MoDOT & Patrol Employees' Retirement System

Spring/Summer 2019



 **MPERS**  
Serving those who keep us safe.



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## Board of Trustees

**Bill Seibert**

Board Chair

MSHP Retiree Representative

**Todd Tyler**

Board Vice Chair

MoDOT Active Representative

**Senator Mike Bernskoetter**

Appointed by the President Pro Tem  
of the Senate

**John Briscoe**

Highways & Transportation  
Commissioner

**Sgt. Matt Broniec**

MSHP Active Representative

**Sue Cox**

MoDOT Retiree Representative

**Patrick McKenna**

Director of MoDOT  
Ex Officio Member

**Colonel Eric Olson**

Superintendent of MSHP  
Ex Officio Member

**Michael Pace**

Highways & Transportation  
Commissioner

**Gregg Smith**

Highways & Transportation  
Commissioner

**Rep. Sara Walsh**

Appointed by the  
Speaker of the House

**Stay in Touch!**

Physical: 1913 William St • Jefferson City, MO 65109

Mailing: PO Box 1930 • Jefferson City, MO 65102-1930

Email: [mpers@mpers.org](mailto:mpers@mpers.org)

Phone: 800-270-1271





# A Note From the Director

MPERS has experienced many ups and downs this spring and summer.

The harsh weather we experienced this winter transitioned into turbulent, and at times, severe weather this spring. As you may be aware, the Jefferson City and Eldon communities were in the direct path of a strong tornado that devastated a portion of both towns leaving many people without homes, businesses destroyed, and a portion of the historic City of Jefferson badly damaged. The MPERS office and staff were not affected directly by this damage, and for that we are very grateful.

Additionally our city, like many cities around the state, have been impacted by terrible flooding, causing closures of numerous highways, county roads, and even portions of a major interstate. The intense weather season means that the MoDOT and Highway Patrol employees we serve are being challenged, working long strenuous hours for the sake of public safety and mobility. We consider it an honor to be able to provide a safe, secure future retirement benefit for those who do so much for our communities.

Whether you are one year or 20 years away from retirement, security of future retirement benefits is a valid concern for employees. MPERS retirement benefits are funded through significant employer contributions from MoDOT and the Highway Patrol, 2011 Tier employee contributions, and MPERS' investment returns. The financial markets have had many more "ups" and "downs" over the last year, but this volatility is actually (and perhaps surprisingly) normal.

What was abnormal, were the relatively quiet markets we began to accept as normal in the years leading up to

current conditions. MPERS' asset allocation is designed to weather these ups and downs in order to minimize the volatility of employer contributions to support budget planning, not to mention to also help minimize stakeholder anxiety that often comes with the sharp increases and decreases associated with market activity.

MPERS' investment staff is dedicated to managing MPERS' assets with the mindset of protecting and growing assets within reasonable risk tolerances. This oversight has led to results that place MPERS' risk adjusted returns among the best in the public pension community.

Because of this mindset, we are able to reap the benefits of the "ups" and weather the storm of the "downs" while keeping MPERS' members current and future retirement benefit safe and secure.

A handwritten signature in black ink, appearing to read 'Scott Simon', with a large, stylized initial 'S'.

Scott Simon  
Executive Director

# LEGISLATION



The Regular Session of the 100th General Assembly concluded on Friday, May 17, 2019. There were several bills presented that would have affected MPERS had they passed.

**House Bill 201** would have modified what information is required in annual statements sent to covered members. Additional information would have included:

- The date of the plans valuation
- The Plan's funded ratio
- Notification of placement on the Joint Committee on Public Employee Retirement (JCPER) watch list
- Notification when the plans expected employer contributions are not made
- A link or web address pointing to the Plan's annual report

THIS BILL DID NOT PASS

**House Bill 609** would have modified the terms of the 2011 Tier to restore the lump sum payment, known as BackDROP, for uniformed members of the Highway Patrol as well as radio personnel as defined in section 43.010 RSMo. Limiting the payment option to a select group of employees could have resulted in equal protection challenges by an employee not able to make the payment option election.

THIS BILL DID NOT PASS

**House Bill 1105** was filed on behalf of MPERS and MOSERS. It would have allowed both agencies to update cross-referenced statutes and make technical changes to increase readability and clarity of relevant statutes. The bill received a hearing and was voted out of committee; however, it was too late in the session to be taken up and passed by either chamber.

THIS BILL DID NOT PASS



Stay up to date with retirement legislation and visit the Joint Committee on Public Employee Retirement (JCPER) online!



(continued from page 4)

**House Bill 649** would have placed elected officials, including statewide elected officials and members of the general assembly, first serving on and after January 1, 2020, into a defined contribution plan. The plan would have included a fixed four percent contribution from both the employer and the employee.

This bill was similar to SB 747 from the previous session; however, it differed from the prior version in that it expanded the transition from a defined benefit to a defined contribution plan to employees of the Year 2000 Plan, and possibly to all employees, even Closed Plan employees.

**THIS BILL DID NOT PASS**

**Senate Bill 499** was filed to consolidate MPERS and MOSERS. The bill received a hearing; however, no additional action was taken. Senator Schatz, President Pro Tem, recently designated a committee to review this topic further since the last formal review of consolidation occurred in 2005. MPERS board member Senator Bernskoetter, has been assigned to the committee.

**THIS BILL DID NOT PASS**

If you would like to follow proposed legislation that may affect MPERS, please visit [Legislative Updates](#) in the About section of our website [www.mpers.org](http://www.mpers.org).

## BOARD UPDATE

On February 21, 2019, the first board meeting of the year was held. During this meeting the MPERS Board of Trustees elected a new Chair and Vice Chair. Bill Seibert, the MSHP retiree representative was elected the MPERS Board Chairman. Todd Tyler, the MoDOT active employee representative, was elected the MPERS Vice Chair.

MPERS also welcomed two new board members at the February 21, 2019 meeting. Senator Mike Bernskoetter was appointed by the Senate President Pro Tem and the Speaker of the House appointed Representative Sara Walsh to serve on MPERS board.



*Bill Seibert, Board Chair*



*Todd Tyler, Board Vice Chair*



*Senator Mike Bernskoetter*



*Representative Sara Walsh*

## Board Meeting Schedule

Thursday, September 26, 2019, 1:00 p.m.

Thursday, November 21, 2019, 1:00 p.m.

# INVESTMENTS

## *Forward* Momentum



**I**nvestment is an integral part of a healthy retirement plan.

MPERS is a defined benefit (DB) plan, which means that retired and vested former employees who retire from the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP) are guaranteed a retirement benefit every month, for the rest of their lives.

More common retirement plans such as a 401(k) rely on the contributions of employees whose employer may or may not offer a matching contribution. The funds in a 401(k) are invested at the direction of the employee in an effort to build wealth over a period of time so in the future, they may be able to live off of their contributions to the account as well as their investment earnings.

A DB plan differs from the more commonly known retirement fund such as a 401(k) in that pension benefits are not determined solely by the contributions of the employee. In a defined benefit plan, the employer(s) contributes to employee

retirement and a large portion of funding relies on investment activity.

### **Dedicated Staff**

MPERS has a professional investment staff of four who administer the investment program, so members do not have to make their own investment decisions. The combined experience of the team is approximately 70 years with no turnover. This team built a portfolio that is currently ranked in the top one percent of its peers in the pension universe, and people are taking notice.

In 2016, Chief Investment officer (CIO) Larry Krummen (pictured right), was recognized at the [CIO Industry Innovation Awards](#) and the newest member to the investment team, Bobby Hagedorn (pictured on pg. 7), Manager of Real Assets and Credit, was recently selected as one of [Private Debt Investor's top rising stars of 2019](#).





*Bobby Hagedorn, Manager of Real Assets and Credit, chosen as one of Private Debt Investor's top rising stars of 2019.*

## On the Right Track

The road to a healthy and thriving investment program can be challenging. Krummen learned that first hand when he joined MPERS as the first dedicated investment professional.

Since his hire in 2003, the investment program has undergone multiple restructuring efforts that ultimately have led to the investment portfolio in place today. MPERS' staff recently developed a white paper entitled [2019 White Paper Evolution of Investments](#) that is dedicated to sharing the story of MPERS' investment program including where it began, mistakes along the way, details of tough but necessary decisions made by the MPERS' Board of Trustees, and ultimately the progress realized by the fund today.

As of June 2018, MPERS funded status was at 57.1%, however, an aggressive plan is in place to be 100% funded by 2033. Assuming the actual market experience matches the team's actuarial assumptions, MPERS is only 14 years away from being fully funded.

The investment program is important to the health of MPERS because when the investment portfolio experiences gains, it offsets what the employers are required to contribute to fund the past, present, and future benefits paid to members.

With our investment staff's experience and drive to maximize results while minimizing risk, members can take comfort in knowing that their current and future retirement funds are healthy and in good hands.

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Want to know more? Visit the [Investments](#) section of our website, [MPERS' White Paper library](#), or the [Comprehensive Annual Financial Report \(CAFR\)](#).

## Meet MPERS' Investment Staff

### Larry Krummen, Chief Investment Officer



Larry joined MPERS in 2003 and is responsible for the oversight of the system's \$2.3 billion investment portfolio. He has transformed MPERS' investment portfolio from a historically underperforming fund to one that consistently ranks among the top performing funds in the peer universe. Prior to joining MPERS he was the Director of Investments for the Missouri

State Treasurer's Office, managing a \$3.0 billion fixed income portfolio. [Read more...](#)

### Jennifer Johnson, Manager of Hedge Funds and Private Equity



Jennifer joined MPERS in 2007 and is responsible for building new relationships and opportunities across her areas of coverage. She regularly evaluates new investment opportunities across numerous industries and investment types, in addition to monitoring and managing current relationships. Prior to joining MPERS, Jennifer traded fixed income securities for Central Bank. [Read more...](#)

### Tinisha Eickhoff, Manager of Investment Operations



Tinisha joined MPERS in 2012 and manages all investment operations and investment accounting for the plan's portfolio. She is responsible for coordinating and monitoring activities with the external custodial and consulting firms. She continues to focus on areas of risk management and has worked diligently to enhance operations and risk management of the ever-growing investment program. Prior to joining

MPERS, Tinisha served as an assistant to investment staff at the Public School Retirement System (PSRS). [Read more...](#)

### Bobby Hagedorn, Manager of Real Assets and Credit



Bobby joined MPERS in 2013 and is responsible for overseeing the real assets and credit portion of the MPERS' investment portfolio. Bobby leads the sourcing of new relationships and opportunities across his respective asset classes. He regularly evaluates new investment opportunities and currently monitors over 25 existing investment manager relationships. Prior to joining MPERS, Bobby served as an equity

research analyst at Edward Jones in St. Louis. [Read more...](#)



# WHAT'S NEW?



(800) 270-1271

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Missouri Department of Transportation & Missouri State Highway Patrol Employees' Retirement System

Milestones ▾ Member Education ▾ Resources ▾ Investments ▾ Trustees ▾ Employers ▾ About ▾ Q

## Designed with YOU in Mind

We strive to be Missouri's best retirement system by making strategic investment decisions and implementing tools that streamline our processes and enhance customer service.

February first marked the launch of the newly updated MPERS website.

Our goal with the redesign was to make it as easy as possible for our members to access the information they are searching for.

The new cascading menu allows members to view documents and pages listed under each category without having to search the entire site to find them.

Want to [view a brochure on divorce or purchasing service](#)?

Need to [change your final payment beneficiary](#)?

Want to look at a [handbook for your specific retirement plan](#)?

You can find the answer to these questions by visiting the Resources section of the website.

Perhaps you want to [watch a webinar on the Closed Plan](#), [find a comparison of plans](#), [view a short video on basic retirement terminology](#), or even [schedule an appointment with a benefit counselor](#). You can do all of this and more by visiting the Member Education section.

Did the investment article in this edition of *The Pensioner* spark your interest about our investment practices and performance? You can learn more by visiting the Investment section.

Want to know [who is on the MPERS Board of Trustees](#)? Perhaps you would like to [read the latest board summary](#) or [board meeting minutes](#). This information can be found by visiting the Trustee section.

If you want to know more about [MPERS history](#), [staff](#), [legislative updates](#), etc., you can visit the About section of the site.

Additionally, there are quick links located at the bottom of the site that allow easy access to our [secure document upload](#), easily [schedule a personal counseling session](#), search the [news archives](#), [report fraud and abuse](#) and [view other useful links](#) that are applicable to retirees and active employees.

We hope you enjoy the new site and find it easy to navigate because after all, it was designed with you in mind!



# Q & A WITH MPERS



***Q: I know retirees receive an annual cost-of-living adjustment. When will I see it in my benefit?***

**A:** It depends. If you retired under the **Closed Plan**, you will receive your COLA in October of every year. If you retired under the **Year 2000 Plan**, you will receive a COLA the anniversary month of your retirement or on the anniversary of your BackDROP date. If you retired under the **2011 Tier**, you will receive your COLA increase on the anniversary date of your retirement.

The answer above is very general and may not apply to your specific situation. In addition to retirees, other benefit recipients may be eligible to receive the COLA. For more information check out the [COLA](#) page on our website!

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***Q: Can I change what bank my monthly benefit is deposited to? If so, how and when?***

**A:** Yes, you can change the account your monthly benefit is direct deposited to at any time. Keep in mind that if you want your benefit to be deposited in a different bank account, we must receive the **Direct Deposit Authorization form** prior to the **15th of the month**. For example, if you want your July benefit to be deposited to a new account, we must receive the Direct Deposit Authorization form prior to July 15.

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Visit our [Retirement FAQ](#) for a complete list of questions and answers!

***Q: What is the Designation of Agent form?***

**A:** The **Designation of Agent** form lets members name anyone such as a spouse, child, relative, or friend to be their agent in the event they become incapacitated. The agent will have the authority to act on the members' behalf with regards to MPERS related business.

The designated agent will only act on the member's behalf once MPERS receives written notification from the member's physician regarding disablement or incapacity.

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***Q: Someone told me that I don't have to pay Missouri state tax on my retirement benefit. Is that true?***

**A:** Your MPERS retirement benefit IS subject to state and federal income taxes, but since it is considered a public pension it may qualify for the public pension exemption. Generally speaking, if your total Missouri adjusted gross income is less than \$100,000 if married filing combined or \$85,000 if single, head of household, married filing separate, or qualifying widower, your pension could be exempt. If your adjusted gross income is more than stated above, you may be eligible to receive a partial exemption.

Additionally, if you reside outside of the state of Missouri, your pension is not subject to Missouri state tax.

More information can be found at the [Missouri Department of Revenue website](#) under "How is my public pension taxed."



Missouri Department of  
Transportation & Highway Patrol  
Employees' Retirement System

P.O. Box 1930 • Jefferson City, MO 65102-1930

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